

PROVINCIAL EDUCATION REQUISITION CREDIT

for Uncollectable Education Property Taxes on Oil and Gas Properties

PROGRAM GUIDELINES

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Table of Contents

1. GUIDELINES	2
2. PROGRAM OBJECTIVE AND TERM	2
3. KEY DATES	2
4. CONTACT	2
5. SUBMISSION METHOD	2
6. ELIGIBILITY REQUIREMENTS	3
6.1) Eligible Applicants	3
6.2) Eligible Properties	3
6.3) Ineligible Properties	3
7. APPLICATION AND REVIEW PROCESS	3
7.1) Submission to Municipal Affairs	3
7.2) Internal Review Process and Communication of Results	4
8. CREDIT PROCESS AND FOLLOW UP REPORTING	4
8.1) Credits	4
8.2) Future Tax Recovery	4
8.3) Supporting Documentation	4

1. GUIDELINES

These guidelines will assist municipalities in applying to the Provincial Education Requisition Credit (PERC) for Uncollectable Education Property Taxes on Oil and Gas Properties.

2. PROGRAM OBJECTIVE AND TERM

The recent economic downturn in the oil and gas industry has caused hardship for municipalities across Alberta. These economic circumstances have resulted in some oil and gas companies going bankrupt and not paying property taxes.

The PERC program will assist municipalities to manage undue hardship experienced as a result of uncollectable education property taxes related to oil and gas properties. This program provides the affected municipalities with a credit, equal to the provincial education requisition associated with taxable properties that are delinquent in payment of education property taxes.

The term of PERC extends to the 2019 tax year and may be applied retroactively to the 2015 tax year. The province will review the PERC policy with respect to oil and gas properties in the 2019 tax year.

The provision of education property tax credits will be subject to funds available in the Alberta School Foundation Fund's Net Asset Fund. Additionally, in any fiscal year, the total education property tax credits provided to municipalities for the purpose of uncollectable education property taxes on delinquent oil and gas properties will be no more than \$10 million.

3. KEY DATES

ACTIVITY	TIMELINE
2019 and 2020 Application Intake	Application due to Municipal Affairs by January 15 of the respective year.
2019 and 2020 Receipt of Credit	If your application is successful, a credit will be applied to your ASFF invoice for the respective year.

4. CONTACT

If you have any questions, call a PERC program advisor at 780-422-7125 (toll-free 310-0000), or email TaxProgramDelivery@gov.ab.ca.

5. SUBMISSION METHOD

Signed application forms and supporting documentation must be submitted by email to TaxProgramDelivery@gov.ab.ca.

6. ELIGIBILITY REQUIREMENTS

6.1) Eligible Applicants

All municipalities in Alberta are eligible applicants. For program purposes, an eligible applicant includes any city, town, village, summer village, specialized municipality, municipal district, improvement district, special area, or the Townsite of Redwood Meadows Administration Society.

6.2) Eligible Properties

Municipalities are eligible to apply to PERC for uncollectable education property taxes related to the following types of properties:

- The property is an oil and gas property assessed to a company that does not exist, cannot be located or does not have the financial means to pay outstanding property taxes owing to the municipality due to significant amounts of debt (and therefore may be undertaking receivership or bankruptcy proceedings).
- The property is coded in ASSET as taxable and non-residential for the purpose of the education property tax requisition. (Education property tax is levied on specific properties, and not others. For example, education property tax is not levied on machinery and equipment.)
- The municipality has considered its options under the *Municipal Government Act* to collect the property taxes owing and as a result, the municipality has written off the collection of property taxes as a bad debt.
 - Documentation which demonstrates these circumstances are met must be provided by the municipality as part of the application, including an approved motion from council, and a supporting journal entry demonstrating the property taxes have been written off as bad debt. This motion must cancel or reduce tax arrears for particular properties as detailed in section 347 of the *Municipal Government Act*. A sample motion has been posted online for your consideration: http://www.municipalaffairs.alberta.ca/mc_property_assessment_and_taxation

6.3) Ineligible Properties

Aside from the properties described in 6.2, taxes levied against all other properties are excluded from PERC eligibility. Examples include:

- Properties owned by insolvent companies outside the oil and gas industry
- Residential properties
- Farmland

7. APPLICATION AND REVIEW PROCESS

7.1) Submission to Municipal Affairs

Your submission must include a completed application form and supporting documents submitted by email to Municipal Affairs (MA) for processing.

- The application form and property details form is available online under Tax Program Delivery: http://www.municipalaffairs.alberta.ca/mc_property_assessment_and_taxation.
- Supporting documentation to be attached with the signed application include:
 - Property details form, saved as an Excel document.
 - This property details form requires you to provide detailed information on each property claimed under PERC.

- A motion from council confirming that the municipal and education property taxes associated with these properties has been expensed as bad debt.
- Supporting journal entry demonstrating that the property taxes have been expensed as bad debt.
- Assessment notices for all properties associated with your application.

7.2) Internal Review Process and Communication of Results

MA staff will review your application and communicate in writing to your municipality the outcome of your application. If your application was successful, a recommendation will be made to Alberta Education to process a credit on the following ASFF invoice for your municipality.

8. CREDIT PROCESS AND FOLLOW UP REPORTING

8.1) Credits

Credits to municipalities will be reflected on their education property tax requisition invoice.

8.2) Future Tax Recovery

If the uncollectable education property taxes are eventually recovered in whole or in part, this must be reported to MA and the recovered amounts must be remitted to the ASFF.

8.3) Supporting Documentation

All supporting documents related to your application must be kept for three years after submitting your application. This may include tax notices and documents related to attempted tax recovery.